

Message Text

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ACTION FRB-03

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
INR-10 NSAE-00 ICA-11 XMB-02 OPIC-03 SP-02 LAB-04
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R 031630Z APR 78
FM AMEMBASSY PARIS
TO DEPARTMENT OF TREASURY
SECSTATE WASHDC 9506

C O N F I D E N T I A L PARIS 10939

PASS FEDERAL RESERVE

E. O. 11652: GDS
TAGS: EFIN, FR
SUBJECT: PARIS FOREX MARKET

1. THE STRENGTH OF THE FRANC, REFLECTING THE CONTINUED WEAKNESS OF THE DOLLAR, HAS PERMITTED A FURTHER 1/4 PERCENT REDUCTION IN THE CALL MONEY MARKET RATE WHILE EUROFRANC DEPOSIT RATES HAVE MOVED TO LESS THAN ONE PERCENT ABOVE EURODOLLAR RATES, THE LOWEST LEVEL SINCE EARLY 1975. GIVEN THE CURRENT STRUCTURE OF FRENCH INTEREST RATES, A CALL MONEY MARKET RATE OF 8 PERCENT PROBABLY WOULD BE THE LOWEST POSSIBLE RATE. DESPITE THE DECLINE IN SHORT-TERM RATES, THERE STILL ARE NO SIGNS THAT THE GOF IS CONTEMPLATING AN EASIER CREDIT POLICY OR ANY CHANGE IN THE MONETARY TARGET OF 12 PERCENT GROWTH IN THE MONEY SUPPLY IN 1978.

2. DURING THE PAST SEVERAL DAYS THE FRANC HAS TRACKED THE D/MARK AND HAS VERY SLOWLY APPRECIATED AGAINST THE D/MARK FROM THE HISTORIC HIGHS ACHIEVED JUST BEFORE THE ELECTION. GOF INTERVENTION TO KEEP FRANC/DOLLAR RATE AROUND 4.60 HAS CEASED.

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3. WITH A WIDESPREAD EXPECTATION, BORDERING ON CERTAINTY THAT U.S. INTEREST RATES WILL RISE, EURODOLLAR ISSUES HAVE COME TO A STANDSTILL. THE ONLY ISSUE ANNOUNCED LAST WEEK WAS A SEVEN YEAR ISSUE BY IC INDUSTRIES FINANCE CORPORATION WITH A COUPON OF 9 PERCENT. NO OTHERS ARE EXPECTED IN THE COMING DAYS.

HARTMAN

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NNN

Message Attributes

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